

Most companies of any size will tell you that it is advantageous to offer quality health benefits to employees to not only remain competitive but to also help ensure a healthy and productive workforce. Of course, how you balance this while still containing escalating health care costs can be a challenge at best.

Premiums for employer sponsored health coverage rose 7.7 percent in the nation during 2006, according to a recent survey by the Kaiser Family Foundation. While many companies would like to continue offering health coverage to their employees, unfortunately, many cannot. In fact, only 61 percent of firms nationally offered health insurance to their employees in 2006 compared to 69 percent in 2000, according to this study.

As Delaware's largest employer, the State covers approximately 110,000 individuals and their families—including pensioners and school district and higher education employees- through our comprehensive group health insurance program. Our estimated healthcare expenditures for Fiscal Year 2007 are \$462.1 million. Looking at the bigger picture on a national scale, nationwide health care expenditures for state employees are expected to redouble by 2012, according to the National Governors Association.

Under the leadership of Governor Ruth Ann Minner, the State of Delaware is not only facing this challenge but is continuing to set the bar for the nation in successfully containing health care costs. In fact, over the past two years, the state was able to save an impressive \$40 million in health care costs because of the careful financial stewardship of Governor Minner and the State Employee Benefits Committee.

Let me share with you just a few examples of how we were able to accomplish this. The State of Delaware implemented a successful prescription/generic drug program which resulted in generic fill rates rising to over 50 percent. Some highlights of this program include three tiered co-pays, generic plus choice which allows members to pay the difference to obtain a brand name medication when a generic equivalent is available and step-therapy, which requires the use of first-line medications before authorizing second-line medications.

Another innovative health savings initiative is Electronic Prescribing, which identified physicians operating in Delaware who are high volume prescribers and those who regularly prescribe medications that are not on the formulary or that have generic alternatives. The State also targeted urgent care centers through an internal and external marketing campaign to encourage the use of these centers. This initiative advertised the cost differential between using urgent care centers and emergency rooms, which encouraged individuals to re-think going to an emergency room in non-emergency situations.

Prevention and wellness programs are also critical components in the state's ability to control health care costs and additionally keep a healthy and productive workforce. Health Rewards was the first successful prototype of this kind for our state. Participants in this pilot program were

able to reduce body fat, blood pressure, lower their cholesterol and increase their level of fitness as a result of Health Rewards. In turn the state accrued an approximate cost avoidance of approximately \$500,000. Building on this successful formula, the state recently launched DelaWELL, a comprehensive initiative that assesses employee health risks and provides confidential personalized feedback and coaching intervention strategies that target lifestyle topics such as back care, blood pressure management, exercise, nutrition and stress management.

Whether we are in the public or private sector, many of us face the same challenge of offering quality health benefits for our employees while carefully managing our bottom line. The State of Delaware will not only meet this challenge, but we will continue to lead the way when it comes to successfully controlling the costs associated with health care and promoting the health of our employees.